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5 UNITED STATES DISTRICT COURT
6 DISTRICT OF OREGON

7 SECURITIES AND EXCHANGE
8 COMMISSION,

9 Plaintiff,

10 v.

11 C. WESLEY RHODES, JR., RHODES
ECONOMETRICS, INC., THE RHODES
12 COMPANY, and RESOURCE
TRANSACTIONS, INC.,

13 Defendants.
14

Case No. CV06-1353-MO

THIRD REPORT AND SECOND
SUPPLEMENTAL ACCOUNTING OF
RECEIVER MICHAEL A. GRASSMUECK

15 **I. INTRODUCTION**

16 This is the third report and second supplemental accounting to the Court by the Receiver
17 Michael A. Grassmueck. The purpose of this report is to:

- 18
- 19 • Provide a summary of major activities that have occurred since the Second Report
20 of Receiver;
 - 21 • Provide an update of the current financial position of the receivership estate; and
 - 22 • Provide updated financial accounting of receivership entities.

23 This report does not constitute an audit of the financial condition of the receivership and is only
24 intended for the information of the Court and interested parties and should not be relied upon for
25 other purposes.
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1 **II. RECEIVERSHIP ACTIVITIES**

2 This report reflects the major activities of the receivership since the Receiver submitted his
3 Second Report to the Court on March 30, 2007. This report reflects activities from April 1, 2007
4 through September 28, 2007. The major activities to date can be broken into two primary
5 categories: asset sales and litigation.

6 A. **ASSET SALES**

7 The Receiver has made significant strides in selling assets of the receivership estate and
8 receivership entities. These assets include classic cars, contemporary cars, personal property,
9 office equipment, Dollhouse Properties LLC's interests, real property sales and Veterinary Clinic
10 Properties LLC et al., all of which are detailed below.

11 1. *Classic Car Auction*

12 Nineteen classic cars held in the receivership estate were shipped to Monterey, California
13 for Bonhams and Butterfield's ("Bonhams") auction held at Quail Lodge on September 17, 2007.
14 This auction corresponded with the annual classic car activities held on the Monterey Peninsula.
15 The Receiver, with the assistance of Bonhams' team, spent the months leading up to the auction
16 preparing the cars for sale and verifying their authenticity. Much to the dismay of the Receiver, it
17 was discovered that many of the vehicles in the collection that the Defendant had claimed as
18 authentic were in fact clones. Despite this discovery, the auction of the cars brought significant
19 funds into the receivership estate. The nineteen cars sold for a total of \$1,940,000.00, including
20 the following amounts for each vehicle:

21

Lot #	Year	Make/Model	VIN	Sale Amount
421	1969	Chevy Camaro Z28	124379L644001	\$150,000.00
422	1970	Plymouth Road Runner	RM2340A175667	\$98,000.00 ¹
423	1967	Shelby Mustang GT500	67410F2A02943	\$130,000.00
424	1968	Chevy Corvette L88	197378S422103	\$225,000.00

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¹ Vehicle has been sold, payment is forthcoming.

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425	1967	Chevy Corvette 427	194377S112386	\$90,000.00
426	1967	Chevy Corvette 427	194377S108069	\$125,000.00
427	1969	Chevy Camaro COPO	124379N657861	\$175,000.00
428	1967	Chevy Corvette 427	194677S103944	\$145,000.00
429	1969	Chevy Camaro 427	124379N554308	\$80,000.00 ²
430	1966	Shelby Mustang GT350	SFM6S2296	\$128,000.00
431	1968	Chevy Corvette L88	194378S419533	\$135,000.00
432	1970	Chevy Chevelle	136370R207985	\$80,000.00
433	1970	Chevy Chevelle	136370K188184	\$78,000.00 ³
434	1970	Plymouth Baracuda	BS27ROB212211	\$70,000.00
435	1967	Chevy Malibu	136177Z129554	\$24,000.00
436	1970	Plymouth Challenger	JH27G0B111111	\$67,000.00
437	1970	Chevy Chevelle	136670B111501	\$68,000.00
438	1967	Chevy Corvette	174377S103111	\$47,000.00
439	1969	Chevy Camaro	124379N597297	\$25,000.00

In addition to the cars sold at auction, the receivership estate owns a 1931 Ford that is currently located at Tualatin Auto Body. The Receiver is working with the owner of Tualatin Auto Body to reach a settlement of the mechanic's lien that currently encumbers the vehicle.

2. *Contemporary Car Sales*

Six contemporary cars held in the receivership estate were placed on consignment with Gran Prix Imports in Wilsonville, Oregon on August 21, 2007. To date, four of the vehicles have been sold for a total of \$180,950.00, as follows:

Year	Make/Model	VIN	Sale Amount
1995	Chevy Corvette	1G1YZ22J6S5800231	\$39,000.00

² Vehicle has been sold, payment is forthcoming.
³ Vehicle has been sold, payment is forthcoming.

2002	Ford Thunderbird	1FAHP60A32Y118466	\$24,950.00
2004	Mercedes SL55	WDBSK74FX4F083626	\$72,000.00
2005	Panoz Esperante	1P9PB79365B213020	Pending ⁴
2005	Ferrari F430	ZFFEW59A550142141	Pending ⁵
2005	Chevy Corvette	1G1YY244355016837	\$45,000.00

Although the market for high-end luxury vehicles has suffered as of late, the Receiver anticipates sale of the two remaining vehicles within the next 60 days.

3. *Personal Property Auction -- Memorabilia, Household Goods and Miscellaneous Personal Property*

The Receiver filed and received approval to hold an auction at the former Rhodes' residence of memorabilia, automobilia, music posters, artwork, furniture and other personal property items. The auction is set for September 29, 2007. Copies of the auction brochure as well as pictures of all items for sale are available on our website.⁶

4. *Rhodes Econometrics Auction -- Office Equipment*

The Receiver filed and received approval to hold an auction at the auction house of James G. Murphy Company at 18226 68th Avenue, Kenmore, Washington, for the Rhodes Econometrics' office equipment, furniture and office supplies. The sale is scheduled for October 11, 2007. Pictures of all items for sale are available on our website.

5. *Dollhouse Properties LLC*

Dollhouse Properties LLC owned an extensive inventory of unassembled dollhouses plus interest in internet domains. The estate held approximately 50 percent interest in the LLC and the LLC has no apparent creditors. The other LLC member arranged for the sale of the remaining

⁴ Gran Prix Imports anticipates a sales price of approximately \$89,000.00.

⁵ Gran Prix Imports anticipates a sales price between \$275,000.00 and \$285,000.00.

⁶ <http://www.grassmueckgroup.com/rhodes.php>

1 inventory, associated assets and internet domain and each member was paid from the net proceeds
2 according to percentage share owed. The estate received \$54,830.00 for its interest in the LLC.

3 6. *Real Property*

4 The Receiver filed a motion for appointment of a real estate agent to sell the Defendant's
5 former residence at 28714 SW Mountain Road, West Linn, Oregon. The Court approved the
6 motion and the agent has listed the property. Based on current market conditions the property is
7 being offered for \$1.1 million. In order to prepare the property for sale and maximize its potential
8 selling price, the Receiver authorized repairs on the main and guest house as well as landscaping
9 and pool maintenance.

10 The Receiver has sent notice, as required under the agreement between the owners, to the
11 co-owners of the beach house property at 49995 Seasand Road, Neskowin, Oregon. The
12 receivership estate has a 4/17 ownership interest in the home and is offering it for sale at
13 \$211,500.00. The other owners have until October 20, 2007 to purchase the property; otherwise it
14 will be listed immediately by the broker approved by the Court.

15 7. *Veterinary Clinic Properties LLC et al.*

16 The Receiver is exploring the potential benefit to the estate through the disposition of
17 assets pertaining to the interests in five veterinary related businesses. The Receiver is preparing to
18 liquidate the estate's interests.

19 B. LITIGATION

20 1. *Claims Procedure*

21 The Receiver filed a motion with the Court on July 13, 2007 to bring the claims procedure.
22 The Court approved the motion on September 27, 2007 with the following procedure:

- 23 1) the Receiver may begin the claims procedure and mail proof of claim forms to
24 all investor and creditors and publish the required notices;
25 2) investors and creditors will then have 65 days from the date the claims forms are
26 mailed to return them to the Receiver's office;

- 1 3) the Receiver will then have 90 days to process the claims and file an omnibus
2 objection regarding approval/rejection of claims;
- 3 4) after the Receiver has filed his omnibus motion regarding approval/rejection of
4 claims, interested parties will then have 60 days to file any objections they may
5 have;
- 6 5) a reply and status report are due 60 days from the due date for objections to the
7 omnibus motion and, if necessary, a hearing will be set;
- 8 6) after all claims objections have been settled, the Receiver will then file a plan of
9 distribution;
- 10 7) after any objections have been addressed and distribution order has been signed,
11 the Receiver may then begin to distribute funds to investors and creditors.

12 Pending any unforeseen circumstances, the Receiver anticipates mailing the claims forms
13 to investors and creditors on October 12, 2007, which will set a claims bar date of December 17,
14 2007. Given this timeframe, the Receiver anticipates that the earliest a distribution could be made
15 would be late third or fourth quarter of 2008.

16 2. *Michael A. Grassmueck v. Anne Rhodes*

17 The Receiver has filed a declaratory judgment action against Anne Rhodes in order to
18 establish ownership interests in certain assets. This action is pending and the timeframe for
19 completion is unknown at this time.

20 3. *Third Party Litigation*

21 On September 20, 2007, the Receiver filed third party litigation claims against certain
22 individuals seeking disgorgement of funds. There is currently no timeframe set by the court for
23 the disposition of this action. Additionally, the Receiver has previously commenced a lawsuit
24 against Northwest Collector Cars LLC and Dean Sprecher for a declaratory judgment that
25 approximately \$895,000 constituted property of the receivership estate. The Receiver and the
26 defendants have reached a settlement pursuant to which the Receiver will obtain a judgment in
27 that action for the full amount of the prayer, which settlement is pending.

1 **III. ACCOUNTING OF THE RECEIVERSHIP ESTATE**

2 The cash balance of the receivership estate as of the beginning of the reporting period on
3 April 1, 2007 was \$2,664,573.17. The receivership estate has received \$1,840,102.17 in income
4 and paid \$96,536.94 in expenses during the six months of this reporting period. Currently, the
5 receivership estate has \$4,408,138.40 in cash assets and anticipates approximately \$600,000.00 in
6 additional revenue for the sale of remaining vehicles and forthcoming payments. Furthermore,
7 there are additional undetermined amounts anticipated for the sale of real property, third party
8 litigation and other asset sales. Further detail is presented in Exhibit A, the Supplemental
9 Accounting of Receiver.

10 **IV. ACCOUNTING OF THE RECEIVERSHIP ENTITIES**

11 A detailed accounting of the receivership entities is attached as Exhibit 1, the Second
12 Supplemental Forensic Accountants' Report, and is incorporated by reference herein.

13 **X. CONCLUSION**

14 This Third Report and Second Supplemental Accounting of Receiver reflects the
15 Receiver's work and conclusions as of this date. As indicated above, the findings reflected in this
16 report are based on the information that has been discovered to date and are subject to
17 clarification, expansion or change pending additional work by the Receiver and his team.

18 Respectfully submitted this 28th day of September, 2007.

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21 /s/ Michael A. Grassmueck
22 Michael A. Grassmueck, Receiver
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CERTIFICATE OF SERVICE

I hereby certify that on September 28, 2007, I served a true copy of the foregoing **THIRD REPORT AND SECOND SUPPLEMENTAL ACCOUNTING OF RECEIVER MICHAEL A. GRASSMUECK** on the following individuals by facsimile, electronic mail and/or first class mail, addressed to their last known regular address and deposited in the Post Office at Portland, Oregon:

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DATED: September 28, 2007

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